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C O N F I D E N T I A L SECTION 01 OF 02 CONAKRY 000504

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SUBJECT: ALLEGED STORY BEHIND SACKING OF MINISTER OF MINES

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Classified By: A/DCM SHANNON CAZEAU FOR REASON 1.4 B AND D

¶1. (C) SUMMARY. A senior FSN, and now a new GoG political appointee, shared some interesting insights into the inner workings of the Ministry of Mines. According to FSN, the former Minister of Mines (fired August 27) was one of the "good reformers." However, the minister was reportedly negotiating a big mining concessions deal with the Chinese behind closed doors in exchange for a \$25 billion line of credit for infrastructure investment projects. His refusal to back down on the deal and sign the concessions over to a friend of the new Minister Secretary General of the Presidency apparently resulted in his dismissal. END SUMMARY.

A LOOK AT GUINEA'S "MINING FUND"

¶2. (C) On September 4, A/DCM met with Tidiane Diallo, a 14 year employee of USAID Guinea who is considering accepting a presidential appointment in the Ministry of Mines effective September 8. Diallo has excellent political connections, and in the past, has consistently provided useful insights into the behind the scenes games being played by key GoG personalities. Diallo is considering leaving USAID to become the manager of Guinea's "mining fund," a senior position within the Ministry of Mines. During his outbriefing with A/DCM, Diallo shared his observations on his new post, as well as the behind the scenes maneuvers that reportedly resulted in the firing of former Minister of Mines Ahmed Kante on August 27.

¶3. (C) When asked about his new position, Diallo explained that the GoG created the "mining fund" about 12 years ago. It was meant to be used as an investment fund for the mining sector so that the GoG could conduct its own geological surveys, train mining engineers, etc. According to Diallo, the fund was used in this way for about a year, but quickly became a slush fund for miscellaneous expenses ranging from personal trips, to vehicles, to computer equipment.

¶4. (C) Diallo said that when Kante was appointed minister in May 2007, there was only about \$65 in the fund, but that when Diallo went to freeze the account after he was appointed last week, it held about \$650,000. When asked where the money for the fund comes from, Diallo said that it is replenished monthly by rents earned from CBG (Guinean Bauxite Company) in Kamsar, which pays to use the government owned railroad, mining equipment, and other infrastructure. Diallo said that the fund regularly receives about \$200,000 a month. He then said that one of his first tasks will be to try and account for all 2008 expenditures, pointing out that the fund would have collected \$1.6 million over the past eight months, which means that \$1 million in expenses need to be accounted for.

¶ 15. (C) According to Diallo, Kante was committed to reform as evidenced by his willingness to review the country's mining contracts. "He's the best minister of mines Guinea has ever had," he said. Diallo added that Kante had personally asked Diallo to come work for him because he needed someone below him to start controlling the money that was literally walking out the door. Diallo's appointment, however, came concurrently with the minister's firing. Diallo said he still plans to take the job, but only after he sits down with the new minister and explains that he plans to restore the fund to its original purpose, and eliminate past abuses. "If that's not what the new minister is looking for, I will resign my position," he said.

THE STORY BEHIND THE FIRING

¶ 16. (C) Diallo also shared some insights as to possible reasons for Kante's sudden dismissal. According to Diallo, Kante had been negotiating a big deal with the Chinese (unclear as to whether the deal was with the Chinese Government or a Chinese Company) for iron ore concessions. The Chinese reportedly said they wanted to buy concessions to 2 billion metric tons of iron ore, including exclusive rights to deposits in Forecariah, a small town located a few hours from the coast of Guinea.

¶ 17. (C) Although the total quantity of iron ore in Forecariah is unknown, Kante was banking on the GoG's share of the iron ore deposits in the Forest Region to make up any difference

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if Forecariah ended up having less than the 2 billion metric tons the Chinese wanted. According to Diallo, Rio Tinto's initial estimate of iron ore deposits in that region was 3 billion metric tons. However, when rival company BHP Billiton was looking to buy out Rio Tinto, the company estimated the total deposits at 5 billion metric tons. According to the original exploration contract with Rio Tinto, the GoG maintains the rights to 50% of the iron ore. Diallo said that Kante knew the GoG owned at least 1.5 billion metric tons in the Forest Region, and possibly as much as 2.5 billion metric tons if the higher estimate proved true, which meant that he could easily satisfy the Chinese demands with a combination of the iron ore in Forecariah and some of the GoG's share from the Forest Region.

¶ 18. (C) When the Chinese offered cash in exchange for the deal, Kante reportedly refused by saying that cash would only disappear. Instead, he asked for a line of credit to the tune of \$25 billion, which represents 10% of the estimated projected value of 2 billion metric tons of iron (at current prices). According to Diallo, Kante planned to use this line of credit exclusively for infrastructure investment, including the building of a four-lane highway from N'Zerekore to Conakry, two new national railroads, 7 vocational training centers, 2 hospitals, and 2 hydroelectric dams.

¶ 19. (C) However, according to Diallo, the new Minister Secretary General of the Presidency, Alpha Ibrahima Keira, called Kante into his office shortly after his own appointment earlier this month and told Kante that he wanted the Forecariah deposits to be signed over to a Chinese woman that was connected to Keira's wife. Keira's wife, who is sister to President Conte's second wife, had reportedly promised the deal to the Chinese woman in exchange for a personal payoff in the neighborhood of a couple million dollars. Diallo said that Kante told Keira he was not going to back out of the deal he had already made with the Chinese for the iron ore in Forecariah, and that if it meant losing his job, he was prepared to accept the consequences. A few weeks later, Kante was fired by presidential decree.

HOPE FOR RIO TINTO

¶10. (C) When A/DCM asked how Kante's proposed deal would affect Rio Tinto's mining concession, which had recently been canceled by the former Secretary General of the Presidency, Sam Soumah, Diallo said that the deal would not affect Rio Tinto at all since Kante was only planning to use iron ore deposits that legally belong to the GoG. Diallo added that both the technical and the judicial committees at the Ministry of Mines were meeting the same day (September 4) to discuss the Rio Tinto concession. "The problem will be solved today and Rio Tinto will get their concession back," Diallo said.

COMMENT

¶11. (C) Although Diallo was painting Kante as a dedicated reformer, negotiating a huge concessionary agreement behind closed doors suggests a lack of transparency and opportunity for graft, even if Kante's heart was in the right place as Diallo suggests. There has been widespread speculation that Rio Tinto's contract may have been cancelled because several other companies, including a Chinese company, were trying to broker shady deals with the GoG in order to carve up Rio Tinto's sizeable concession. This explanation represents only one interpretation of events, but Diallo has proven to have very good information in the past. His contributions to the Mission team will be sorely missed should he depart, but he will likely continue to be an excellent contact if he decides to accept the position at the Ministry of Mines. As of September 5, he was still debating his decision. END
COMMENT.

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